OMB APPROVAL
OMB Number: 3235-0070
Expires: March 31, 2006
Estimated average burden
hours per response: 192.00

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 4

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2005

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _________ to _________

Commission File Number: 000-30709

POWERCOLD CORPORATION

(Exact name of registrant as specified in its charter)

NEVADA	23-2582701
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

PO Box 1239
115 CANFIELD ROAD
LA VERNIA, TEXAS 78121
(Address of principal executive offices) (Zip Code)

830-779-5213
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **[X] Yes** [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] **No [X]**

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. **Common Stock, par value $0.001 – 23,635,817 shares outstanding at March 31, 2005.**

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

POWERCOLD CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2005 (Restated)	December 31, 2004	December 31, 2003
ASSETS			
CURRENT ASSETS			
Cash	$ 427,510	$ 1,206,416	$ 374,678
Restricted cash	100,000	100,000	-
Contracts and retentions receivable, net of allowance	5,974,986	5,411,110	2,388,495
Costs and estimated earnings in excess on contracts in progress	-	-	245,535
Inventory	169,950	120,926	11,156
Prepaid expenses	252,224	141,790	100,118
Total Current Assets	6,924,670	6,980,242	3,119,982
OTHER ASSETS			
Property and equipment, net	319,862	335,675	135,858
Patent rights and related technology, net	1,210,141	1,248,805	1,306,731
Securities available for sale	-	-	19,317
Deposits	10,688	10,828	10,828
Total Other Assets	1,540,691	1,595,308	1,472,734
TOTAL ASSETS	$ 8,465,361	$ 8,575,550	$ 4,592,716
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts and retentions payable	$ 4,217,303	$ 3,577,077	$ 896,447
Accrued expenses	277,175	189,387	356,583
Billings in excess of costs and estimated earnings on contracts in progress	389,255	380,873	947,807
Commissions and royalty payable	258,574	252,948	8,180
Accounts payable, related party	97,236	172,236	417,236
Convertible debt, net of discounts	1,666,666	1,166,666	334,014
Notes payable, current portion	43,715	42,036	-
Current portion of capital lease payable	-	-	632
Total Current Liabilities	6,949,924	5,781,223	2,960,899
LONG-TERM LIABILITIES			
Convertible note payable, net of current portion	2,388,092	2,755,590	-
Note payable, net of current portion	7,800	8,546	-
Capital lease payable, net of current portion	-		-
Total Long-term Liabilities	2,395,892	2,764,136	-
COMMITMENTS AND CONTINGENCIES	-	-	69,417
STOCKHOLDERS' EQUITY			
Convertible preferred stock, Series A, $0.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-	-
Common stock, $0.001 par value; 200,000,000 shares authorized, 23,635,817; 21,576,750, and 18,442,066 shares issued and outstanding, respectively	23,638	23,486	21,578
Additional paid-in capital	20,920,133	20,621,207	17,384,460
Accumulated deficit	(21,724,097)	(20,614,502)	(15,862,955)
Accumulated other comprehensive income	-	-	19,317
Total Stockholders' Equity (Deficit)	(880,455)	30,191	1,562,399
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,465,361	$ 8,575,550	$ 4,592,716

See accompanying condensed notes.

POWERCOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended March 31, 2005 (Restated)	2004	2003
REVENUES			
Contracts including equipment	$ 1,424,770	$ 2,113,228	$ -
Equipment	153,528	127,875	1,112,334
Total Revenues	1,572,388	2,241,103	1,112,334
COST OF REVENUES			
Direct labor and equipment-contracts	1,145,148	1,479,497	-
Direct labor and material-equipment	95,206	52,141	919,478
Warranty expense	-	52,413	-
Manufacturing supplies	9,942	4,486	-
Shipping and handling	11,093	24,337	-
Total Cost of Revenues	1,261,389	1,612,873	919,478
GROSS PROFIT (LOSS)	310,999	628,230	192,856
OPERATING EXPENSES			
Sales, marketing and advertising	484,224	181,097	95,934
General and administrative	623,562	607,627	454,127
Research and development	93,453	5,274	-
Legal and accounting	39,577	34,755	-
Depreciation and amortization	43,014	19,575	25,068
Total Operating Expenses	1,283,829	848,327	575,129
LOSS FROM OPERATIONS	(972,830)	(220,097)	(382,273)
OTHER INCOME (EXPENSES)			
Interest income	53,520	-	60
Interest and financing expense	(290,414)	(154,250)	(242)
Other income (expense)	-	659	68
Total Other Income (Expenses)	(236,894)	(153,591)	(114)
LOSS BEFORE INCOME TAX	(1,209,724)	(373,688)	(382,387)
INCOME TAX EXPENSE	-	-	-
LOSS FROM CONTINUING OPERATIONS	(1,209,724)	(373,688)	(382,387)
NET LOSS	(1,209,724)	(373,688)	(382,387)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on investments	-	-	(19,483)
COMPREHENSIVE LOSS	$ (1,209,724)	$ (373,688)	$ (401,870)
NET LOSS PER COMMON SHARE: BASIC AND DILUTED	$ (0.05)	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	23,585,817	21,703,416	19,002,066

See accompanying condensed notes.

POWERCOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		
	2005 (Restated)	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (1,209,724)	$ (373,688)	$ (382,387)
Adjustments to reconcile net loss to net cash			
used in operating activities:			
Depreciation and amortization	43,014	-	25,068
Amortization of discount on note payable	132,502	-	-
Issuance of common stock for services	150,000	4,250	120,000
Options issued for services	23,145	-	-
Warrants issued for financing fees	125,931	-	-
Warrants issued for services	-	154,853	-
(Increase) decrease in assets:			
Accounts receivable	(563,876)	(1,141,699)	(711,081)
Inventories	(49,024)	3,954	27,324
Prepaid expenses	(88,149)	18,131	(88,125)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	733,640	(487,299)	600,068
Accounts payable, related party	(75,000)	(55,000)	-
Billings in excess of costs	8,382	889,813	-
Net cash used in operating activities	(769,159)	(986,685)	(409,133)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(8,954)	(111,531)	-
Purchase of technology	-	19,310	-
Deposits	140	-	(10,153)
Net cash used in investing activities	(8,814)	(92,221)	(10,153)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on capital lease	-	(633)	(577)
Principal payments on loans	(933)	-	-
Proceeds from issuance of shares under private placement	-	-	425,000
Proceeds from short-term borrowings	-	1,349,368	5,000
Repayment of short-term borrowings, related party	-	-	(5,823)
Net cash provided by financing activities	(933)	1,348,735	423,600
Net increase (decrease) in cash	(778,906)	269,829	4,314
Cash at beginning of year	1,306,416	374,678	93,372
Cash at end of period	$ 527,510	$ 644,507	$ 97,686

See accompanying condensed notes.

POWERCOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

SUPPLEMENTAL CASH FLOW INFORMATION:						
Interest paid	$	79,564	$	-	$	-
Income taxes paid	$	-	$	-	$	-
NON-CASH TRANSACTIONS:						
Issuance of common stock for prepaid consulting	$	100,000	$	-	$	-
Issuance of common stock for compensation	$	-	$	-	$	208,750
Issuance of common stock for services	$	50,000	$	120,000	$	-
Warrants issued for financing fees	$	125,931	$	-	$	-
Issuance of options for services	$	23,145	$	-	$	-

See accompanying condensed notes.

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 –BASIS OF PRESENTATION

The foregoing unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. These unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2004. In the opinion of management, the unaudited consolidated interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

NOTE 2- CONTRACTS IN PROGRESS

For the three months ended March 31, 2005 contract amounts, cost, estimated earnings, and the related billings to date on completed contracts and contracts in progress were as follows:

	Contract Revenue	Contract Cost	Gross Profit
Total activity	$1,424,770	$1,145,148	$279,622
Contracts completed during the three month period	$984,770	$775,893	$279,622
Contract in progress at March 31, 2005	$440,000	$389,255	$50,744
Cumulative costs to date			$1,921,041
Cumulative gross profit to date			$508,500
Cumulative revenue earned			$2,429,541
Less progress bilings to date			$2,140,286
Net over billings			$389,255
Costs and estimated earning on contract in progrss in excess of billings			-
Billings in excess of costs and estimated earnings on contracts in progress net over billings			$389,255

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 – STOCK-BASED COMPENSATION AND STOCK OPTIONS

During the three months ended March 31, 2005, the Company granted for services 25,000 common stock options at $1.55 per share for a period of five years from the date of issuance which will expire on March 25, 2010 and 25,000 common stock options for a period of three years from the date of issuance to expire on March 30, 2008 and recorded an expense of $23,145 for the period ended March 31, 2005 in accordance with SFAS 123R which was adopted by the Company on January 1, 2005. The Company rescinded 60,000 common stock options for Company employees with an exercise price of $1.50 per share granted under the 2002 Employee Stock Option Plan.

The Company previously used APB Opinion No. 25 in accounting for options and, accordingly, recognized no compensation cost for its stock options in 2004 and 2003.

Included in the net loss as reported at March 31, 2005 is the expense of options issued during the period from January 1, 2005 through March 31, 2005 of $23,145. For comparative purposes to prior periods there would be no adjustment of the pro forma net loss per share if calculated under APB Opinion No. 25.

	Year Ended December 31, 2004	Year Ended December 31, 2003
Net loss as reported	$ (4,337,032)	$ (2,656,548)
Adjustment required by SFAS 123	(3,794,926)	(492,597)
Pro forma net loss	$ (8,131,958)	$ (3,149,145)
Pro forma net loss per share, basic and diluted	$ (0.40)	$ (0.16)

	Number of Shares Under Option	Weighted Average Exercise Price
Outstanding and exercisable at January 1, 2003	4,095,891	$ 1.06
Granted	712,725	1.37
Exercised	(300,000)	0.50
Rescinded or expired	(456,333)	1.06
Outstanding and exercisable at December 31, 2003	4,052,283	1.16
Granted	3,075,799	1.61
Exercised	(210,000)	1.00
Rescinded or expired	(1,519,579)	1.38
Outstanding and exercisable at December 31, 2004	5,398,503	1.36
Granted	50,000	1.65
Exercised	(0)	0
Rescinded or expired	(60,000)	1.50
Exercisable at March 31, 2005	5,388,503	$ 1.36
Weighted average fair value of options granted during 2005		$ 1.65

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 - COMMON STOCK

During the three months ended March 31, 2005, the Company issued 150,000 common stock shares for services at $1.00 per shares valued at $150,000 at $1.00 per share. The Company's established methodology for determining a reasonable value of restricted stock is to discount the market price of stock shares issued by approximately 30% or to issue stock at the same price as other similar arms length transactions. Of the 150,000 shares issued, 50,000 shares were issued to non-related consultants in arms length transactions. Shares issued in the same time period to an affiliate were issued at the same price as the stock issued to non-related consultants.

.

NOTE 5 - WARRANTS

During the three months ended March 31, 2005, the Company issued 665,000 common stock warrants exercisable at $1.70 per share, for five years from date of issuance as consideration for principal payment rescheduling to Laurus and in lieu of liquidated damages for the delay in effective of a registration statement filed with the SEC. The warrants expire on March 9, 2010. The fair market value of the warrants was estimated on the date of grant using the Black Scholes Calculation at $387,562. The following assumptions were made in estimating fair value: risk-free interest of 4.25%, volatility of 35%, expected life of five years and no expected dividends.

NOTE 6 – NOTES PAYABLE

Long-Term Note Payable

On July 29, 2004, the Company entered into a securities purchase agreement with Laurus Master Fund, Ltd., a Cayman Islands company ("Laurus") for the purchase of a $5,000,000 convertible term note ("note"). Under the terms of the securities purchase agreement, the Company also issued common stock purchase warrants to Laurus to purchase 615,000 shares of common stock, exercisable for three years from the initial exercise date. The exercise prices of the warrants are $2.63 for 300,000 shares and $3.07 for the remaining shares.

The note, which matures on July 29, 2007, bears interest at the prime rate of interest plus 1 percentage point, with a minimum interest rate of 5% and a maximum rate of 8%. The note is convertible into common stock with a conversion price of $1.87 on July 29, 2004, subject to conversion by Laurus as well as an automatic conversion. The fixed conversion price of $1.87 per share is applicable when the PowerCold stock average closing price for the five days prior to the repayment is at or above 110% of the fixed conversion price. Conversion at less than the fixed conversion price is set at 90% of the average of the five lowest trading days in the 22 trading days prior to the conversion date. The fixed price cannot be less than $1.10 per share. The beneficial conversion feature of this note has been recorded additional paid-in capital of $569,106 and as a discount to the note, amortizable over three years. At March 31, 2005 $126,468 has been amortized. The Company also retains the right to prepay the note at 125% of the unpaid balance for 12 months from July 29, 2004; 115% of the unpaid balance for 12-24 months from July 29, 2004; and 110% of the unpaid balance after 24 months from July 29, 2004. As consideration for investment banking services in connection with the securities purchase agreement, the Company paid 4.29% of the gross proceeds to Laurus Capital Management, LLC, (an affiliate of Laurus Master Fund, Ltd), for investment banking services in connection with the securities purchase agreement. Laurus Capital Management LLC is the entity that exercises voting and investment power on behalf of Laurus Master Fund, Ltd, the selling shareholder, 0.04% to Loeb & Loeb, LLP a California limited liability partnership as the escrow agent for the transaction and 8.5% of the gross proceeds to the Dragonfly Capital Partners, LLC (an affiliate of Oberon Group, LLC, a North Carolina Limited Liability Company).

Laurus can convert to equity any portion of the principal balance and accrued but unpaid interest subject to the limitations of the 35% aggregate trading limit for the 22 days prior to redemption and the 4.99% total holdings limitation with the only exceptions being default and prior 75 day notification by Laurus that they will exceed the 4.99% ownership limitation but will be restricted to a 19.99% limitation not to exceed 4,457,995 shares.

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 6 – NOTES PAYABLE (continued)

Monthly amortizing payments of the aggregate principal amount outstanding under the note begin on February 1, 2005 in the amount of $166,667 plus interest. The Company has recorded a discount on the note for deferred financing costs of $641,500 which will be amortized over the life of the loan. Amortization expense at March 31, 2005 was $106,920.

The Company also agreed to file a registration statement within 45 days from July 29, 2004, registering the number of shares underlying the secured convertible term note and the warrants, and to have that registration statement declared effective with the Securities and Exchange Commission within 120 days from July 29, 2004. In the event that the registration statement is not declared effective by the Securities and Exchange Commission by the required deadline, the Company is obligated to pay to Laurus Master Fund 1% of the original principal amount of the convertible note, for each 30-day period, or portion thereof, during which the registration statement is not effective.

The securities purchase agreement, secured convertible term note and the registration rights agreement with Laurus, all dated July 29, 2004, were amended on March 9, 2005 to reschedule the originally required effectiveness date (November 27, 2004) of the registration statement filed with the SEC to June 15, 2005, and to reschedule the initial principal payments due February, March, April and May 1, 2005 to April, May, June and July 1, 2007**.** For the amended rescheduled payments and new effective date the Company has agreed to issue a new warrant purchase agreement to Laurus for 665,000 shares for a term of five years at $1.70 per share. The Company will take a fair market value charge of $125,302 for the issuance of 215,000 warrants for the rescheduled principal payments over the period from February 1, 2005, through August 1, 2007. In addition the Company will take a fair market value charge of $262,260 for the issuance of 450,000 warrants as a result of the registration statement filed with the SEC not being effective as of November 27, 2004 and being extended to June 15, 2005. At March 31, 2005 the principal balance of the convertible note with Laurus was $5,000,000.

Future minimum principal payments on the note are as follows:

Year	Annual Maturity Amount
2005	$1,166,666
2006	$2,000,000
2007	$1,833,334

<u>Vehicle Loan</u>
During the year ended December 31, 2004, the Company purchased a truck for $23,421. The note is secured by the vehicle and is for thirty-five months and no interest. The monthly payment is $650. At March 31, 2005, the note balance was $14,631. Future principal payments are as follows:

Year	Annual Maturity Amount
2005	$6,085
2006	$8,546

<u>Current Notes Payable</u>
At March 31, 2005, December 31, 2004 and December 31, 2003, notes payable included a line of credit payable to Royal Bank of Canada for $34,014 U.S. The Company made interest only payments on this line of credit which is unsecured. During the year ended December 31, 2003, the Company discontinued making the interest payments and is disputing the loan which was in the name of Steven and Susan Clark and remains in dispute as of the date of this filing.

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 6 – NOTES PAYABLE (continued)

The Company received from Simco $196,760 in unsecured advances during 2002 and an additional $161,108 and $100,000 during 2003 and 2004, respectively. The advances bear interest at 8% and are payable on demand. No payments were made against the principal during 2002 or 2003 and $345,080 was repaid in 2004. The debt was convertible to common stock as calculated at 50% of the bid price at the end of the quarter preceding conversion during 2003 and 2002. The loan made during 2004 is convertible at the fair market value of the stock at the date of conversion. The beneficial conversion feature of these loans is recorded as additional paid in capital. The interest expense, related to these loans, recorded in 2003 and 2002 is $218,979 and $195,538, respectively. At March 31, 2005 the balance of the Notes payable to Related Party (Simco) was $97,236.

FINANCE PROGRAM
On July 22, 2004 the Company agreed to a financing program with a major mortgage corporation. The financing program may provide the Company's commercial customers with significant financing to purchase or lease HVAC systems from PowerCold ComfortAir Solutions, Inc. The Company has no commitment or contingency related to this agreement.

NOTE 7 – SUBSEQUENT EVENTS

Effective May 1, 2005, in a minor acquisition, PowerCold Corporation acquired 100% of the assets of Sterling Mechanical, Inc. (SMI), an Englewood, Colorado based engineering and design firm that provides engineering and marketing supporting heating, ventilation and air conditioning (HVAC) systems and technologies. SMI assets were transferred into PowerCold's wholly owned subsidiary, PowerCold ComfortAir Solutions, Inc., formerly Ultimate Comfort Systems. As consideration for the acquisition of assets valued at $384,975, which include contracts totaling $216,425 and all intellectual property including licenses and copyrights and the rights, title and interest in and to the name Sterling Mechanical, Inc., the Company paid the owners of SMI 200,000 shares of PowerCold common stock at the fair market value of $306,000. In addition, PowerCold agreed to issue 150,000 options to the owners of SMI that will vest over a 3 year period. At May 1, 2005, 50,000 common stock options were vested with a fair market value of $22,870 and the Company recorded a commitment of $56,105 for the future vesting of the remaining options. The acquisition was accounted for under the purchase method. The three employees of SMI are currently employed by PowerCold ComfortAir supporting existing PowerCold business, existing SMI business and soliciting new business in the Western United States.

On May 12, 2005, we received $1,210,000 from Francis. L. Simola through the exercise of 150,000 options issued on September 10, 2001 at $1.00 per share for $150,000; the exercise of 545,879 options issued on October 1, 2001 at $0.50 per share for $272,940. Frank Simola also made a loan to us payable upon demand, in the amount of $787,060 with an annual interest rate of prime, as published in the Wall Street Journal, plus 1%, not to exceed 8%. In addition Frank Simola was issued 200,000 shares of common stock on May 16, 2005, at $1.35 per share, the average of the market closing price between May 12 and May 16, 2005, for a total of $270,000 for consulting services.

POWERCOLD CORPORATION
CONDENSED NOTES TO CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 8 – RESTATEMENT AND CORRECTION OF ERROR

The accompanying consolidated interim financial statements for March 31, 2005 have been restated to correct information concerning revenue. The Company originally recognized revenue under the percentage-of-completion method of accounting for long-term contracts. Revenue is recognized as work on contracts progresses, however, estimated losses on contracts in progress are charged to operations immediately. During the period ending March 31, 2005 the Company recognized $1,011,579 in revenue and related contract receivables, and $911,450 is contract payables and cost of revenues.

Subsequent to the issuance of the original financial statements for the period ended March 31, 2005, management discovered that a certain accounting position and information was not correct. The financial statements have been restated to correct errors in revenue, contract receivables and payables, and related cost of revenues.

These corrections and restatements had increased the reported net loss from $1,109,595 to $1,209,724, but had no effect on the reported net loss per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward looking statements made herein are based on current expectations of the Company that involves a number of risks and uncertainties and should not be considered as guarantees of future performance. The factors that could cause actual results to differ materially include; interruptions or cancellation of existing contracts, impact of competitive products and pricing, product demand and market acceptance risks, the presence of competitors with greater financial resources than the Company, product development and commercialization risks and an inability to arrange additional debt or equity financing. The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand PowerCold Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes ("Notes").

Our financial statements for the year ended December 31, 2004, were audited by our independent certified public accountants, whose report includes an explanatory paragraph stating that the financial statements have been prepared assuming we will continue as a going concern and that we have incurred operating losses since inception that raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements contemplate continuation of the Company as a going concern. At March 31, 2005 we had an accumulated deficit of $21,724,097 and recurring losses from operations for each year presented. Property, equipment, accounts receivables and intangibles comprise a material portion of the Company's assets. Accounts receivable as of March 31, 2005 are $5,974,986 with reported revenue for the three month period ended March 31, 2005 at $1,572,388. The recovery of these assets is dependent upon the collection of outstanding receivables and achieving profitable operations. The ultimate outcome of these uncertainties cannot presently be determined. We actively seek sufficient financing to support our growth and achieve profitability. Realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company and the success of its future operations.

Our plans for 2005 include concentrating on two specific proprietary applications: Central HVAC Air Condition Systems and Plastic Heat Exchange Products. During 2004 we experienced a significant growth in revenue from the Central HVAC Air Conditioning Systems and higher gross margins from Plastic Heat Exchange Products. We have expended considerable capital and manpower resources developing these applications over the last two years. Subsequently, business opportunities from projects for Central HVAC Systems and Plastic Heat Exchange Products in 2005 support our plans going forward. We plan to exploit the last two years of engineering development and to focus engineering, sales and marketing resources on the Company's proprietary Environmental Air Treatment System, which is our central HVAC air conditioning system for large commercial buildings, directing our efforts at the growth segments of the hospitality industry. We also plan to expand our direct marketing efforts to corporate national account chain stores and restaurants with our proprietary HVAC system, and reduce custom bid spec marketing for retail stores and restaurants that have lower gross margins per project.

Secondly, we intend to capitalize upon our investment in the research and the development of our plastic products. During the last quarter of 2004 and first quarter of 2005, the Company shipped its first production Nauticon plastic coil fluid cooler units to multiple installations in Florida and Canada. Initial system installations have been very successful and the company is moving forward with the planned marketing program for plastic products in 2005. The Company has also developed "plastic kits" for four OEM fluid cooler companies. Two fluid cooler OEM companies showed their proprietary products with PowerCold's plastic components for the first time at the ASHRAE convention in early February 2005. Recently, we have successfully developed and installed the first plastic fluid cooler that can be used for residential buildings and expanded to larger commercial buildings. We expect added revenue and improved margins in products that use plastic coils in place of copper coils.

We are also focusing on cash management and addressing the past due accounts receivable through a rigorous collections policy. We attribute the high accounts receivable to the significant revenue growth rate and startup marketing growth pains during 2003 and 2004. We intend to focus on the hospitality industry and plastic products in 2005 and away from bid spec jobs that have historically generated lower gross margins. We intend to raise capital through the licensing of our heat exchange technology in markets outside of North America with five and ten year licensing agreements that include annual renewal fees and royalties based on sales. Exploratory discussions with several companies are underway for long term (five to ten year) nonexclusive manufacturing rights and exclusive territorial distributions rights for our patented heat exchange technology outside of North America. The basis of discussions involve a one time license fee and continuing royalty payments for the term of the license based upon units manufactured or revenue derived from sales through distribution. Discussions are ongoing and no agreements have been finalized. We see this as an opportunity to capitalize upon the intellectual property of PowerCold and our ongoing R&D efforts regarding heat exchange technology for the HVAC industry.

We expect better cash flow and improve margins in the future. Projections regarding revenue, income, margins and cash flow should not be considered a certainty and in fact projections may not be met at all. We believe that actions presently being taken to increase sales, collect receivables and obtain additional financing as needed provide the opportunity to continue as a going concern.

OVERVIEW

PowerCold designs, develops and markets heating, ventilating and air conditioning systems (HVAC) and energy related products for commercial use. Air conditioning and refrigeration are two of the more energy intensive operational costs many businesses face. Over the past few years we have acquired and developed various technologies related to the HVAC industry and employ experienced and qualified industry professionals. Our focus is to provide HVAC turnkey solutions that are designed to reduce energy consumption and provide a clean and comfortable indoor air environment.

PowerCold operations include four wholly owned subsidiary companies with respective operating divisions: PowerCold Products, Inc., (PCP) supports product development, engineering and manufacturing. PowerCold ComfortAir Solutions, Inc., (PCS) supports sales and marketing offering turnkey HVAC solutions for commercial buildings, including major hotel chains, national restaurant and retail store chains, extended care facilities and office buildings. There are two operating divisions of PCS, Applied Building Technology (ABT) that supports related engineering and design build HVAC applications, and PowerCold Energy Systems (PES) that supports related energy products including generators and engine driven chillers. PowerCold International, Ltd., (PCI), a new operating subsidiary company effective July 1, 2003, markets all company products and system applications worldwide through various alliances and marketing agencies. PowerCold has also established alliances with various companies in the industry to market and manufacture related HVAC and Energy products. PowerCold Technology, L.L.C. was formed in February 2004 to hold and manage the intellectual property and patents owned by PowerCold Corporation and its subsidiaries and license the technology to the operating divisions and other entities.

We derive our revenues from four principal product line applications: The first is proprietary applications for the HVAC industry which includes a patented four pipe integrated piping system for large commercial buildings and turnkey HVAC systems for light commercial national chain store applications. The second is a line of evaporative condensers, heat exchange systems and fluid coolers for the HVAC and refrigeration industry. The third is the design and packaging of custom chiller systems for the HVAC and refrigeration industry. The fourth is energy products including generators, engine driven chillers and engineering services.

During 2003 we entered into a joint Development Agreement and a License Agreement with DuPont Canada, Inc. and E.I. duPont de Nemours relating to DuPont Caltrel® Fluid Energy Transfer System Applications that incorporates their engineered polymeric materials. We selected fluid coolers as a project application per the Development Agreement for an exclusive three-year period. The product is similar to our Nauticon® Fluid Cooler, but will now use new plastic tubing material replacing the copper coils. We applied to the U.S. Patent Office for a new modular design heat exchanger patent that features modular designed plastic components. Our new proprietary PlexCoil™ fan coil air handlers, primarily used in commercial buildings for room air distribution, will be the first application for the new patent heat exchanger.

PowerCold ComfortAir, Inc. provides turnkey design build HVAC applications for new and retrofit construction projects for the hospitality industry, national retail chain stores, national restaurant chains, assisted care living facilities, and other facilities suitable for our product offerings. The engineering design bid proposal backlog total more than $39 million. Our revenue is increasing as the result of our focus on turnkey design, equipment and project management for hospitality and other large HVAC customers. Our revenue is no longer solely derived from the sale of manufactured and repackaged equipment. We now offer design, equipment and project management integrated into a single proposal which is coordinated with allied general contractors, regional engineering firms and national and international HVAC equipment vendors to provide flexible, cost effective and reproducible proposals acceptable to major hotel chains, assisted care facilities and national retail accounts. The focus has changed from an equipment manufacturing orientated sales organization to a design, engineering and project management group marketing our equipment along with other select suppliers for integrated HVAC solutions.

Field testing and R&D continues with the PlexCoil™ polymeric heat exchange products. Initial field trials during 2004 were successful and these new products will easily integrate with the turnkey HVAC design build program. Additionally, the opportunity exists to provide the technology as basic components for assembly by OEMs around the world. The corrosion resistant and light weight characteristics of the plastic along with the heat transfer properties present numerous opportunities to replace copper and aluminum in many fluid/air heat exchange applications. The investment in this technology will continue for the next several years. Commercial products using plastic heat exchange tubing were first shipped in the fourth quarter of 2004.

Continued investment in the patented Nauticon® Evaporative Condensers and Fluid Coolers to increase capacity and refine system integration controls is necessary to expand the market potential for these products. We have invested in control technology as it has become more important to the integration of various pieces of HVAC equipment to achieve proper operation and obtain maximum energy efficiency from the total system.

Effective May 1, 2005, PowerCold Corporation, in a minor acquisition, acquired 100% of the assets of Sterling Mechanical, Inc. (SMI) , an Englewood, Colorado based engineering and design firm that provides engineering and marketing supporting heating, ventilation and air conditioning (HVAC) systems and technologies. SMI assets were transferred into PowerCold's wholly owned subsidiary, PowerCold ComfortAir Solutions, Inc., formerly Ultimate Comfort Systems. As consideration for the acquisition of assets valued at $384,975, which include contracts totaling $216,425 and all intellectual property including licenses and copyrights and the rights, title and interest in and to the name *Sterling Mechanical, Inc.*, the Company paid the owners of SMI 200,000 shares of PowerCold common stock at the fair market value of $306,000. In addition, PowerCold agreed to issue 150,000 options to the owners of SMI that will vest over a 3 year period. At May 1, 2005, 50,000 common stock options were vested with a fair market value of $22,870 and the Company recorded a commitment of $56,105 for the future vesting of the remaining options. The acquisition was accounted for under the purchase method. The three employees of SMI are currently employed by PowerCold ComfortAir supporting existing PowerCold business, existing SMI business and soliciting new business in the Western United States.

Future profitability is dependant upon obtaining and maintaining gross profit margins greater than 30%, execution of the company's sales and market plans to generate a minimum of $1 million per month in sales, managing travel, administration, warranty, legal, accounting, regulatory and other controllable expenses within the constraints of the budget are necessary for sustained profits, however there is no guarantee that we will be able to achieve the factors affecting future profitability. Sufficient cash may not be generated from operations due to the extended payment terms required for some of our sales in order to meet our operating needs. Cash availability is a significant concern. Revenue growth strains our resources as material must be purchased, salaries paid and operating and administrative overhead supported. Future cash needs from debt or equity are dependant upon the collection of receivables and gross margins. Our primary focus is on revenue growth, the timely collection of receivables and improvement in gross margins. We have claims totaling $331,137 against payment bonds issued on the behalf of general contractors; are seeking $675,812 in litigation to recover past due receivables; pursuing a claim of $128,590 through negotiation which will be arbitrated if not settled, and others lawsuits are contemplated if collection efforts prove unsatisfactory. Approximately 70% of the bad debt allowance reported at year end involved claims against bonds, litigation or mediation/arbitration which we previously believed could be resolved in a reasonable period of time. Upon detailed review and discussion with our outside attorneys during the fourth quarter it became obvious to us that resolution would not be achieved in a sixty to ninety day period and an appropriate charge was taken related to these issues. A charge of $250,000 was taken in the third quarter of 2004 based upon the age of receivable and an additional charge of $279,389 was taken at the end of the fourth quarter. Receivable are reviewed for impairment on a quarterly basis. In the past we didn't include retentions in the review of receivable aging as it is understood that retentions are not paid until the all releases are provided at project completion and any warranty related issues are resolved. At year end we included a review of retentions and the likelihood of collection and will continue this review on a quarterly basis. We intend to maximize our intangible assets with continued development and marketing of new and existing products based upon our intellectual property. Accounts receivables and intangible assets comprise the material portion of our assets. Continued emphasis on more effective collection effort and accelerated project completion are expected to improve cash flow and reduce future funding needs however there are no guarantees that we will be successful in these efforts.

Our continued existence is uncertain, as there may be insufficient cash to support operations for the next twelve months. We have secured a $5 Million convertible note with a term of three years. Accelerated collection of existing receivables will provide additional cash to fund operations but continued growth at the current pace will create a significant demand for limited funds. At present there are no immediate plans to raise more capital beyond the senior debt offering, however the cash is monitored closely and future fund raising may be necessary at some time in the future.

Between May 12 and May 16, 2005, we received $1,210,000 from Francis. L. Simola through the exercise of 150,000 options issued on September 10, 2001 at $1.00 per share for $150,000; the exercise of 545,879 options issued on October 1, 2001 at $0.50 per share for $272,940. Frank Simola also made a loan to us payable upon demand, in the amount of $787,060 with an annual interest rate of prime, as published in the Wall Street Journal, plus 1%, not to exceed 8%.

Subsidiary Companies:

PowerCold Products, Inc. – PowerCold Products (PCP) provides product research and development, engineering and manufacturing of patented evaporative condensers and heat exchange systems for the heating, ventilation and air condition (HVAC) and refrigeration industry. PCP supports the Company's Nauticon® and EV Chill™ product lines with engineering design and packaging for its products. PCP also supports custom refrigeration systems by designing, engineering and packaging special customer orders.

The Nauticon patented products are simple to manufacture. They are used for evaporative condensers, fluid coolers, sub-coolers, commercial and industrial refrigeration system components, and custom refrigeration products for commercial and industrial applications. Nauticon products can reduce power cost for air condition and refrigeration applications by up to 40% when used as a replacement for air cooled condensers. The efficiency of water cooled condenser technology is well understood in the industry and is the preferred method in large central chiller plants reducing kW per ton of cooling for chilled water air conditioning from a typical 1.08 kW/ton at a suction temperature of 45 F and condensing temperature of 130 F for air cooled condensers to 0.67 kW/ton at a suction temperature of 45 F and condensing temperature of 95 F for evaporative (water) cooled condenser, a 38% reduction in kW demand. Capacity and power consumption is estimated from data published in the ASHRAE 2004 Handbook, HVAC Systems and Equipment Handbook, Chapter 34.6, Fig. 2 Capacity and Power-Input curves for Typical Hermetic Reciprocating Compressor. PowerCold has continued to invest in and improve the Nauticon product line, expanding its product offerings ranging from a single 10-ton unit up to 300-ton or more multi-unit systems. The company has three patents related to the Nauticon product line.

PowerCold ComfortAir Solutions, Inc. – PowerCold ComfortAir Solutions, Inc., (PCS) supports sales and marketing for all U.S. operations offering high efficiency design build HVAC solutions for new and retro-fit commercial buildings, including major hotel chains, national restaurant and retail store chains, extended care facilities, and office buildings. PCS provides these national accounts with turnkey solutions for the design, engineering and installation of energy efficient HVAC solutions. The Company's services are specifically targeted toward large national accounts, such as hospitality providers and national retailers who standardize their HVAC systems across all of their properties.

In December 2000, PowerCold acquired the technology rights, patent rights, and a license agreement for integrated piping technology for a heating and air conditioning system. This acquisition gave the Company exclusive, non-transferable United States transfer rights to the technology and all related assets. In 2003, PowerCold filed for its own, exclusive, enhanced related patent, Environmental Air Treatment System, for

worldwide use that supports all of the Company's HVAC technology including desiccant and solar energy systems.

The design build approach continues to grow in popularity within the construction industry and is expected to become the predominant method of project delivery for PowerCold ComfortAir Solution, Inc. by 2005. In January 2004, the Company set up a National Contractors Alliance (NCA) program to provide additional revenue opportunities as the design build program gains momentum with its new alliance partners. The NCA is a turnkey design build program that brings together a nationwide network of contractors, engineers, architects, subcontractors and equipment suppliers to design, build, and equip facilities with the Company's proprietary HVAC systems. The turnkey design build approach offers a cooperative project management approach that can minimize cost overruns and delays.

PCS expects significant growth to come from this multi-market channel once the national account agrees to use PowerCold's system in both new and existing locations. The Company currently has installed twenty-one of the large building systems in three major hotel chains and various extended care facilities and has installed more than eighty small systems at retail national chain accounts in the U.S.

Applied Building Technology - In August 2002, the Company acquired all the assets of Applied Building Technology, a supplier of complete standardized heating, ventilation and air conditioning packages for commercial buildings. This new acquisition gives the Company a major entrée into the vast market for small commercial HVAC systems for national chain accounts. Increasing power costs and clean air regulations have motivated corporate management with chain store operations to focus on energy savings and indoor air quality.

The company introduced two new applications to support the national chain store business: The BreezeMaster system, designed for use by large chain retail and fast food stores, is a closed loop cooler that prevents moisture buildup that can lead to legionella and other respiratory diseases associated with standard evaporative condensers. This product is designed for the high volume 10 to 30 ton commercial rooftop unit market where small footprint, weight and height are an issue. The other application is the new proprietary DesertMaster energy exchange fresh air system. The system uses cool or warm exhaust air being circulated out of a building to cool or heat incoming outside fresh air. The desiccant section is then used to remove the moisture from building and fresh air 24 hours per day seven days per week. The DesertMaster energy recovery and desiccant system can reduce the required capacity of the air conditioning equipment by approximately 20% by transferring the latent cooling load to the desiccant system. Latent cooling involves removing the moisture from the air by cooling below the dew point. The dehumidified air may be uncomfortably cool and have to be reheated before it is returned the space being cooled.

Air conditioning systems are sized for a combination of two cooling loads: latent (air humidity) and sensible (cooling of space air). The latent cooling load can account for as much as 30% to 50% of air conditioning requirements. Conventional, refrigeration-based air conditioning is electrical-energy intensive. Desiccant dehumidification removes humidity from ventilation air. Therefore, air conditioning requirements are reduced to meet the demands of sensible cooling and smaller air-conditioning plants are required. Reducing humidity in the air handling system and the building spaces during the cooling season will improve indoor air quality by preventing condensation in equipment and reducing the growth and propagation of micro-organisms.

Desiccant augmented cooling systems are energy efficient and environmentally benign. Desiccant dehumidification could reduce total residential electricity demand by as much as 25% in humid regions, providing a drier, more comfortable, and cleaner air environment. {National Renewable Energy Laboratory

(NREL)(2000). Advanced desiccant cooling and dehumidification program, http://www.nrel.gov/desiccant cool/intro.htm}

PowerCold Energy Systems - The Company originally formed Alturdyne Energy Systems to support its natural gas engine driven chillers and its rotary engine generator business. The name was changed to PowerCold Energy

Systems in November 2002. In September 2002 the Company acquired an exclusive license from Alturdyne to manufacture, package, market, develop and use intellectual property for the natural gas engine driven chillers and the natural gas rotary engine gen-set for a period not to exceed ten years. The Company pre-paid Alturdyne $400,000 in royalty payments against the first $8,000,000 in anticipated sales as part of an exclusive license. In September 2003 Alturdyne purchased 63 rotary engines from PowerCold for $460,000. Subsequently, the prepaid royalty and the rotary engine receivable were combined and structured as an outright purchase of the engine driven chiller technology.

The installation of combined heat and power (CHP) technology has grown in use over the last ten years. The technology and intellectual property acquired by the Company will enhance the Company's ability to offer customers complete packaged solutions for their HVAC and power generation needs. The engine driven chillers include standard and custom packaging of natural gas, electric and diesel-fueled engine driven chillers used for HVAC system applications.

PowerCold International Ltd. – The Company was incorporated as a new operating subsidiary effective July 1, 2003. PowerCold International markets all company products and system applications worldwide through various alliances and marketing agencies. Sales and marketing activities are coordinated from the Company offices in Largo, Florida. Agents and alliances have been organized in various countries worldwide to market and support the company's products and application systems and new relationships are being developed.

PowerCold Technology, LLC - The Company was recently formed on February 12, 2004 pursuant to the LLC Act and other applicable laws of the State of Nevada. All assets of the Company related to patent rights, trade names, trademarks, copyrights, licenses, trade secrets, inventions, intellectual proprietary rights and "know-how" will be owned by PowerCold Technology, LLC, a wholly owned subsidiary company of PowerCold Corporation. PowerCold Technology will license "assets" to PowerCold subsidiary companies and other third party company's world wide on a non-exclusive basis.

Products:
Nauticon Evaporative Condensers - The Company envisions worldwide market demand for its proprietary evaporative condensing systems used in air conditioning systems. The Nauticon patented products are simple to manufacture. They are used for evaporative condensers, fluid coolers, sub-coolers, refrigeration system components and custom refrigeration products for commercial and industrial use. Nauticon products can reduce power cost in the air condition and refrigeration industry by up to 40% compared to typical, standard air cooled condensers utilized on many refrigeration and air conditioning systems smaller than 200 ton capacity. The efficiency of water cooled condenser technology is well understood in the industry and is the preferred method in large central chiller plants reducing kW per ton of cooling for chilled water air conditioning from a typical 1.08 kW/ton at a suction temperature of 45 F and condensing temperature of 130 F for air cooled condensers to 0.67 kW/ton at a suction temperature of 45 F and condensing temperature of 95 F for evaporative (water) cooled condenser, a 38% reduction in KW demand. Capacity and power consumption is estimated from data published in the ASHRAE 2004 Handbook, HVAC Systems and Equipment Handbook, Chapter 34.6, Fig. 2 Capacity and Power-Input curves for Typical Hermetic Reciprocating Compressor. Nauticon's primary advantage is energy savings, yielding EER ratings as high as 18 even as the industry, through regulation, changes to lower efficiency refrigerants. Nauticon products provide a cost effective alternative to the less energy efficient air cooled condenser typically utilized on commercial roof top refrigeration and AC units. Nauticon evaporative condenser units have beneficial features; they are free of water treatment chemicals, have self-cleaning coils that shed scale and are low-maintenance. Nauticon's primary advantage is energy savings, yielding EER ratings as high as 18 even as the industry, through regulation, changes to lower efficiency refrigerants. The industry faces serious changes for the first time in years due to energy and environmental concerns worldwide.

HVAC Systems – PowerCold owns the exclusive U.S. technology rights for an integrated piping technology system for heating, ventilating and air conditioning systems (HVAC). The significant feature of the patented HVAC system is the use of the existing pipes, as the delivery system, to provide hot and chilled water to individual fan coil units. The proprietary technology is designed to utilize the fire sprinkler piping to circulate the cooling water around the building. In addition, the domestic hot water lines also distribute heating energy.

The dual use of the piping systems provide cost effective heating and cooling from a central system with compressor-free guest rooms for the hospitality industry. The PowerCold ComfortAir system provides the precise comfort control of four-pipe air conditioning at a lower capital cost. Guess rooms offer the precise comfort of a typical four-pipe air conditioning/space heating system at a lower installed cost achieved through the dual purpose use of the fire sprinkler system to deliver chilled water and the domestic hot water system to deliver hot water for space heating to the fan coil units eliminating the need to install two additional pipes. Installation and construction costs are comparable to conventional through-the-window Package Terminal Air Conditioners (PTAC) units. The PowerCold ComfortAir System also avoids the discomfort of poor temperature/humidity control and sleepless nights from noisy compressor cycling. PowerCold's HVAC system provides energy saving and operating advantages through the integration of energy recovery and other technologies to increase efficiency and reduce operating costs.

PowerCold's Energy Efficient HVAC and Refrigeration Technologies Can Significantly Cut Peak Power Demand and Costs: Deregulated electricity during the hot summer peak-power-demand-days can cost 10-100 times more than normal. Commercial customers' demand-surcharges, which are based on their peak-power usage during the 20-30 days per year when temperatures soar to 95° + F, can represent 30-50% of their total electric bill in some parts of the country. Consequently, reducing peak power demand during these few days could significantly reduce or eliminate surcharge costs. Commercial air conditioning and refrigeration (accounting for $7 billion of 2000's $37 billion in peak-power demand costs) are the Company's initial target markets. America is well entrenched with air condition and refrigeration systems, but there is a great niche market for the Company's evaporative condensers and chiller products. PowerCold and its related entities have the refrigeration engineering expertise and new products to reduce energy costs for an industry that hasn't seen many changes in the last 50 - 60 years.

Significant Events During First Quarter 2005:

February 1, 2005 – The Company is working in partnership with Florida's Energy Conservation Assistance Program (ECAP) to conduct energy audits for the hospitality industry and provide assistance for owners and developers seeking certification in the State's Green Lodging Program.

The Green Lodging Program has been created by the Florida Department of Environmental Protection to assist the State's hospitality industry in reducing operating cost. This voluntary program recognizes lodging facilities that meet environmental guidelines to conserve natural resources and prevent pollution. Facilities can earn the Green Lodging designation by investing in simple and innovative 'green' practices that conserve water, save energy and reduce waste. The Green Lodging Program helps ensure a sustainable environment and offers environmentally committed consumers an attractive lodging choice alternative. As reward for designation, the state of Florida recommends Green Lodgings to consumers, companies and trade organizations seeking environmentally friendly lodging and convention facilities.

PowerCold's Largo, FL subsidiary, PowerCold ComfortAir Solutions, Inc. (PCS) is working with ECAP to help hotel owners and operators identify and implement energy efficient technologies that meet Green Lodging guidelines. To assist with the certification, ECAP provides free one-on-one-consulting to identify suitable energy conservation measures and calculate a cost/benefit analysis for implementing those measures.

PowerCold® will work closely with ECAP to assist owners and operators with implementation of the recommended conservation measures, securing financing to pay for retrofits, and providing advice on maintaining heating, ventilation, and air conditioning systems and equipment.

Al Othmer, ECAP Energy Specialist, commented, "PowerCold® is an approved supplier of HVAC systems and equipment for national hotel, restaurant and retail chains, and a designated Expert Service and Product Provider by the Environmental Protection Agency (EPA). Hotels utilizing PowerCold's patented HVAC technologies have earned ENERGY STAR recognition from the EPA for energy efficiency and indoor air quality. As our state Green Lodging Program is a voluntary effort that employs pro bono assistance from Utility Providers, State Agencies and Private Sector Business Partners, we are always pleased to receive the support from qualified ENERGY STAR BUSINESS PARTNERS such as PowerCold®."

Othmer added, "In addition to this new program launched to assist hotels and lodging facilities, over the years the ECAP program has assisted PowerCold® in providing energy audits and ENERGY STAR certification assistance for a number of commercial facilities including office buildings, restaurants and retail stores, schools and day care centers, nursing and health care facilities, apartment complexes, and storage facilities, and will continue to do so. These impartial third party audits provide important information to clients on opportunities to implement additional conservation measures that go beyond the savings produced by PowerCold's own product line."

FEBRUARY 24, 2005 – The Company reported the opening of the new Hilton Hotel, St. Augustine Historic Bayfront, a 72-room hotel located in St. Augustine, FL. The facility is the first mid-rise Hilton Hotel fitted with PowerCold's proprietary environmental HVAC system and DuPont Caltrel® plastic heat exchangers. The new system controls moisture and provides clean fresh air throughout the hotel including the guest rooms and public areas. The system is expected to operate with utility costs 50% below the standard systems installed in other mid-rise hotels with a return on investment in less than two years.

The premiere full-service hotel is a "hollow-square" design consisting of 19 separate buildings set around an inner courtyard and connected by an interior corridor. The facility features wooden balconies, cedar shake and tile roofs and different elevations and color schemes. This unique design reflects the owners desire to recreate the look and feel of St. Augustine's Spanish Colonial Period.

The Florida Department of Environmental Protection's Energy Conservation Assistance Program (ECAP) will conduct a site survey and energy audit of the hotel. The ECAP program will continually monitor the facility to record energy usage and determine cost savings. PowerCold is working with the Florida ECAP program to conduct energy audits for the hospitality industry and assist owners and developers seeking certification in Florida's Green Lodging Program.

The Green Lodging Program, created to assist Florida's hospitality industry with reducing energy costs and conserving natural resources, recognizes lodging facilities that meet environmental guidelines to conserve resources and prevent pollution. The Green Lodging Program will help owners recognize and implement energy efficient technologies, and provides one-on-one consulting, financing opportunities for retrofits, and advice on HVAC system and equipment maintenance.

During the first quarter of 2005 PowerCold ComfortAir Solutions, Inc. participated in three vendor trade shows for Days Inn, Super 8 and Hilton Hotels and attended the Hilton Vendors Fair and Project Managers Meeting at the Hilton Training Center.

Subsequent Events:

APRIL 20, 2005 - The Company is expanding its international operations and has signed new sales and distribution agreements for its Nauticon® and PlexCoil™ product lines. The agreements are with Etha Engineering Pte Ltd, Singapore; Ice Kube Systems, Manitoba, Canada and Performance Contracting, S.A. de C.V. of Monterrey, Mexico.

Etha Engineering Pte Ltd, Singapore will market PowerCold's patented Nauticon® evaporative condensers throughout Southeast Asia. Nauticon® condensers are ideally suited for large buildings that require constant, year-round air conditioning in the region's hot and humid climate. In high humidity conditions, the aluminum fins on air-cooled condensers suffer significant corrosion and drastically reduce the efficiency of the unit after only a year of operation. Replacing the existing air-cooled condensers with Nauticon evaporative condensers not only eliminates corrosion, but reduces power consumption costs by 30-40%.

PowerCold® also entered into a sales agreement with Ice Kube Systems, Manitoba to market the Company's new hybrid fluid coolers throughout Canada. Ice Kube Systems has been utilizing the Nauticon® evaporative fluid coolers in skating rinks throughout Canada with continued success. PowerCold's partnership with Ice Kube will take advantage of the growing market for evaporative fluid coolers fitted with the new PlexCoil™ plastic micro tubing.

PowerCold® has partnered with Performance Contracting, S.A. de C.V. of Monterrey, Mexico to promote PowerCold's central HVAC system and Nauticon® product line to Mexico and Latin America. Performance Contracting provides a full range of HVAC applications including heating, air conditioning, fire systems, humidity control, intelligent buildings, security access, and clean rooms.

PowerCold ComfortAir Solutions, Inc. participated in Hilton Garden Inn Vendors Fair at the Hilton Corporate Offices in mid April and at the Wingate Inn Conference in early May to promote PowerCold proprietary Enviromental Air Treatment Solution for HVAC. Additional Trade Show participation is scheduled in the second quarter of 2005 for Burger King, Howard Johnson, Travelodge/Thriftlodge, Knights Inn and Ramada Inn.

Effective May 1, 2005, PowerCold Corporation, in a minor acquisition, acquired 100% of the assets of Sterling Mechanical, Inc. (SMI) , an Englewood, Colorado based engineering and design firm that provides engineering and marketing supporting heating, ventilation and air conditioning (HVAC) systems and technologies. SMI assets were transferred into PowerCold's wholly owned subsidiary, PowerCold ComfortAir Solutions, Inc., formerly Ultimate Comfort Systems. As consideration for the acquisition of assets valued at $384,975, which include contracts totaling $216,425 and all intellectual property including licenses and copyrights and the rights, title and interest in and to the name *Sterling Mechanical, Inc.*, the Company paid the owners of SMI 200,000 shares of PowerCold common stock at the fair market value of $306,000. In addition, PowerCold agreed to issue 150,000 options to the owners of SMI that will vest over a 3 year period. At May 1, 2005, 50,000 common stock options were vested with a fair market value of $22,870 and the Company recorded a commitment of $56,105 for the future vesting of the remaining options. The acquisition was accounted for under the purchase method. The three employees of SMI are currently employed by PowerCold ComfortAir supporting existing PowerCold business, existing SMI business and soliciting new business in the Western United States.

RESULTS OF OPERATIONS – First Quarter 2005

The Company's Consolidated Statement of Operations for the first quarter ended March 31, 2005 compared to the first quarter ended March 31, 2004:

Total Revenue for the three-month period ended March 31, 2005 decreased 29.8% to $1,572,388 from $2,241,103 for the same quarter in the prior year primarily through the growth in plan and spec work for chain restaurant and retail store and Nauticon heat exchange products including new products based upon plastic coil technology. Product pricing has remained stable for the last few years although there was a spike in copper prices almost 12 months ago which impacted margins as price increases for Nauticon copper heat exchangers were minimal and Nauticon sales accounted for less than 10% of 2004 revenue. Inflation rates of 2.68%, 2.27% and 1.59% respectively for 2004, 2003 and 2002 (based upon the CPI Consumer Price Index) has had little or no impact on pricing for our products and services and did not contribute to revenue increase. Commodity price increases for copper and polyethylene did reduce product margins for Nauticon products in the fourth quarter of 2003 and the first and second quarter of 2004. Operating Loss for the three-month period ended March 31, 2005 increased $752,733, to ($972,830), a 342% increase from a prior period operating loss of ($220,097). The Total Cost of Revenues decreased by $351,484 to 80.2% of revenue as compared to 72% of revenue for the comparable period in the first quarter of 2004. The cost of direct labor and equipment and direct labor and materials on contracts and equipment revenue increased from 79% of revenue in the first quarter of 2004 to 83%

of revenue in the first quarter of 2005 due to competitive pricing pressure on contracts for plan and spec work for chain restaurants and retail stores. There was no warranty cost recorded for the fist quarter of 2005 however direct labor and material costs for equipment increased due to product design changes implemented to reduce warranty expense.

Net Loss for the three-month period ended March 31, 2005 increased to ($1,209,724), a 224% increase from the prior year same quarter loss of ($373,688). Operating Losses from continuing operations included charges of $93,453 for R&D expense for the quarter, an increase of $88,179 from the prior year period for continued work on plastic heat exchange products and an increase of $303,127, 167%, in sales and marketing expense which included significant increase in travel and shows and meetings expenses in the development of new business in the hospitality industry. The 120 % increase to $43,014 in depreciation and amortization is the result of the investment by the company in computer hardware, new financial software and R&D test equipment during 2004. Operating losses were higher than expected due to the disproportionate increase in the number of lower margin bid spec contracts for retail and restaurant chain accounts. Margins in future periods should improve, as the Company reduces dependence on bid spec contracts and increases the number of hospitality contracts using our proprietary technology, however no guarantees can be made regarding the increase in HVAC hospitality business or the improvement of margins.

Net Loss Per Share for the three-month period ended March 31, 2005 increased to ($0.05) from ($0.02) for the same quarter of the prior year. Net loss per share was based on weighted average number of shares of 23,585,817 for the three-month period ended March 31, 2005 and 21,703,416 for the three month period ended March 31, 2004. Interest and financing expense increased 88.3% to $290,414 as compared to the first quarter of 2004 due to interest expense on the $5 million convertible debt placed with Laurus on July 29, 2004 and the issuance of additional warrants to Laurus for the rescheduling of principal repayment and late effectiveness of a stock registration filed with the SEC.

The Company's sales and revenue decreased through the three month period ended March 31, 2005. Total revenue of $1,572,388 for the three months ended March 31, 2005 decreased from first quarter revenue of $2,241,103 for 2004 and $1,112,334 for 2003. The majority of PowerCold ComfortAir Solutions' engineering design proposals are for large commercial building projects that revolve over a nine to fifteen month contract cycle and are recognized as revenue on a percentage of completion basis. The Company expects to close new contract proposals at a 5% rate per quarter based upon historical performance however there is no guarantee that we will close new contracts at the rate that has occurred in the past. We anticipate reduced losses with increased revenue as it is unlikely that gross margins will improve significantly in the short term until hospitality business increases. Projections regarding revenue and income should not be considered a certainty and in fact projections may not be met at all. The market for commercial HVAC systems for retail national chain stores and restaurant accounts continues to expand with the recent addition of two new chains.

PowerCold Products production facility has continued to improve its operations with an emphasis on cost reduction programs and new sales initiatives focused on volume markets for Fluid Coolers and Evaporative Condensers. Major new engineering and marketing programs related to the new plastic products have been implemented with direct emphasis on OEM companies. Newly designed fluid coolers that use DuPont's Caltrel® plastic tubing have been shipped to a national restaurant chain and to several large fluid cooler OEM. Some of the value and benefits of the new plastic tubing to OEM companies are: improved coil scale shedding over copper tubing, superior corrosion resistance of the coil compared to copper construction, lower water usage, and lower maintenance cost. Since plastic products first shipped in the fourth quarter of 2004 our bid submittals for Nauticon products with plastic coils has increased steadily.

Operating expenses increased 51.3% to $1,283,829 for the quarter primarily from significant increases in sales & marketing expense in pursuit of hospitality industry business and research & development expense related to plastic heat exchange technology and the environmental air treatment technology for the hospitality industry. Accounting and legal expense related to stock registrations and the defense of two lawsuits remain high and are expected to continue at the current rate until lawsuits are resolved and the registrations filed with the SEC become effective.

The Company's Consolidated Balance Sheet as of the first quarter ended March 31, 2005 compared to year ending December 31, 2004:

Total current assets increased to $6.924,670 for the first quarter ended March 31, 2005 compared to $6,980,242 for the year ending December 31, 2004. Total assets decreased to $8,465,361for the first quarter ended March 31, 2005 compared to $8,575,550 for the year ending December 31, 2004. Total Current Liabilities increased 17% to $6,949,924 for the first quarter ended March 31, 2005 compared to $5,781,223 for the year ending December 31, 2004. Total stockholders' equity (deficit) decreased ($880,455) for the first quarter ended March 31, 2005 compared to $30,191 for the year ending December 31, 2004 due to increases in accounts payable and accrued expenses.

The decrease in current assets was mainly due to the decrease of $563,876 in Accounts Receivable on $1,572,388 in revenue. Accounts Receivable currently exceeds Accounts Payable, Accrued expenses and Billings in excess of costs and estimated earnings on contracts in progress by $1,091,253 and has decreased by $172,520 from the previous quarterly reporting period of $5,411,110 at year ended December 31, 2004. Inventory increased by $49,204 to $169,950 and prepaid expenses increased by $110,434 to $252,224 while cash decreased by $778,906 to $427,510 as compared to the year ended December 31, 2004. Accounts Payable increased by $640,226 from the end of the previous quarter in part as a result of several new contracts and orders from chain stores. The increase in receivables continues to put significant pressure upon the cash flow. A substantial reduction in Accounts Receivables and increased cash flow from completed installations is necessary for the continued operation of the company. The increase in liabilities since December 31, 2004 was mainly due to the increase in payables and accrued expenses related to hospitality contracts.

During the three months ended March 31, 2005, the Company issued, 150,000 common stock shares for services at $1.00 per share.

During the three months ended March 31, 2005, the Company granted 50,000 stock option for services; 25,000 common stock options at $1.55 per share for a period of five years from the date of issuance and will expire on March 25, 2010 and 25,000 common stock options for a period of three years from the date of issuance to expire on March 30, 2008 and recorded an expense of $23,145 for the period ended March 31, 2005 in accordance with SFAS 123R which was adopted by the Company on January 1, 2005. The Company rescinded 60,000 common stock options for Company employees with an exercise price of $1.50 per share granted under the 2002 Employee Stock Option Plan.

During the three months ended March 31, 2005, the Company issued 665,000 common stock warrants exercisable at $1.70 per share, for five years from date of issuance as consideration for principal payment rescheduling to Laurus and in lieu of liquidated damages for the delay in effective of a registration statement filed with the SEC. The warrants expire on March 9, 2010. The fair market value of the warrants was estimated on the date of grant using the Black Scholes Calculation at $387,562. The following assumptions were made in estimating fair value: risk-free interest of 4.25%, volatility of 35%, expected life of and five years and no expected dividends.

Liquidity and Capital Resources: At March 31, 2005, the Company's working capital decreased by $1,173,765 to $25,254 from $1,199,019 at December 31, 2004 primarily as the result of the increase in accounts payable and an increase the current portion payable of the convertible debt totaling $1,140,226 that exceeded the combined increases current assets in combination with the reduction in cash of $778,906 by $1,084,654. Total cash decreased from $1,206,416 at year-end to $427,510 as of March 31, 2005. Inventory increased 40.5% to $169,950 from the previous quarter at the year ended December 31, 2004 due to increased demand for Nauticon Fluid Coolers, Evaporative Condensers and the new Plastic coil product ramp up. Purchasing agreements with suppliers, coupled with the use of common parts throughout the product lines should minimize further growth in inventory levels and at the same time reduce the cost of product sold, improving the gross profit margin.

Status of Operations: We intend to continue to utilize and develop our intangible assets. At March 31, 2005, intangible assets comprised 13% of our total assets. The recovery of these intangible assets is dependent upon achieving profitable operations. Its our opinion that the cash flow generated from current intangible assets is not impaired, and that recovery of its intangible assets, upon which profitable operations will be based, will occur.

We believe that our working capital is insufficient to support its growth plans for 2005. We recently became the beneficiary of up to a $25 Million financing program from a major commercial mortgage corporation, which provides our customers a leasing credit facility. The $25 Million financing program is provided directly to our customers to finance as a lease the PowerCold HVAC system on a rolled up, turnkey basis which includes the equipment, design, engineering, installation and scheduled periodic maintenance expense at 100% of the cost. This lease financing offers advantages over typical equipment only leases by eliminating the need for the customer to pay engineer, design, installation costs as they are incurred. We also recently received $5 million in convertible debt financing on July 30, 2004.

The Company recently applied to the U.S. Patent Office for a new modular design heat exchanger patent that features superior modular and flexible designed plastic components. Utilizing polymeric materials provides additional value and innovation to PowerCold's portfolio of products. Plastic components create a new platform for PowerCold to deliver energy efficient and cost-effective HVAC solutions for its customers.

A new patent application (third Nauticon® patent) which was filed in 2002 was recently submitted for an international filing as an enhanced evaporative condenser. A new patent application for the Compact Heat Exchanger with High Volumetric Air Flow was filed on February 24, 2005 claiming priority from and benefit of U.S. provisional patent application 60/400,609 filed August 2, 2002, which is incorporated by reference herein as if fully set forth in its entirety. We believe that the additional development cost related to the new patent application will protect the company's intellectual property and improve opportunities for increased revenues and profits for our Nauticon product line. Patents and acquired technology are amortized on a straight line basis over a 15 year life commencing with the beginning of product sales.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company, at the present time, has no exposure to market risk sensitive instruments entered into for trading purposes and instruments related to interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market risks, such as equity price risk.

ITEM 4. CONTROLS AND PROCEDURES

QUARTERLY EVALUATION OF THE COMPANY'S DISCLOSURE CONTROLS AND INTERNAL CONTROLS.

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, PowerCold's Chief Executive Officer (CEO) and PowerCold's Chief Financial Officer (CFO) evaluated, with the participation of PowerCold's management, the effectiveness of the Company's disclosure controls and procedures. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, PowerCold's Principal Executive and Principal Financial Officer each concluded that the Company's disclosure controls and procedures are effective. There were no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that may have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CEO and CFO CERTIFICATIONS.

Appearing immediately following the Signatures section of this Quarterly Report there are two separate forms of "Certifications" of the CEO. The second form of Certification is required in accord with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certification). This section of the Quarterly Report, which you are currently reading is the information concerning the Controls Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS.

Disclosure Controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (Exchange Act), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about

the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

SCOPE OF THE CONTROLS EVALUATION.

The CEO and CFO evaluation of our Disclosure Controls and our Internal Controls included a review of the controls' objectives and design, the controls' implementation by the Company and the effect of the controls on the information generated for use in this Quarterly Report. In the course of the Controls Evaluation, we sought to identify data errors, controls problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. This type of evaluation will be done on a quarterly basis so that the conclusions concerning controls effectiveness can be reported in our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. Our Internal Controls are also evaluated on an ongoing basis by our independent auditors in connection with their audit and review activities. The overall goals of these various evaluation activities are to monitor our Disclosure Controls and our Internal Controls and to make modifications as necessary; our intent in this regard is that the Disclosure Controls and the Internal Controls will be maintained as dynamic systems that change (including with improvements and corrections) as conditions warrant.

Among other matters, we sought in our evaluation to determine whether there were any "significant deficiencies" or "material weaknesses" in the Company's Internal Controls, or whether the Company had identified any acts of fraud involving personnel who have a significant role in the Company's Internal Controls. This information was important both for the Controls Evaluation generally and because items 5 and 6 in the Section 302 Certifications of the CEO and CFO require that the CEO and CFO disclose that information to our Board's Audit Committee and to our independent auditors and to report on related matters in this section of the Quarterly Report. In the professional auditing literature, "significant deficiencies" are referred to as "reportable conditions"; these are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the financial statements. A "material weakness" is defined in the auditing literature as a particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions. We also sought to deal with other controls matters in the Controls Evaluation, and in each case if a problem was identified, we considered what revision, improvement and/or correction to make in accord with our on-going procedures.

In accord with SEC requirements, the CEO and CFO note that, since the date of the Controls Evaluation to the date of this Quarterly Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

CONCLUSIONS.

Based upon the Controls Evaluation, our CEO and CFO have concluded that, subject to the limitations noted above, our Disclosure Controls are effective to ensure that material information relating to PowerCold Corporation, Inc. and its subsidiaries is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared, and that our Internal Controls are effective to provide reasonable assurance that our financial statements are fairly presented in conformity with generally accepted accounting principles.

CONCLUSIONS – PRIOR PERIODS

Based upon the Controls Evaluation for the previous filings that have been amended, our CEO and CFO have concluded that our Disclosure Controls were effective and working for the Company's Corporate Controls and Procedures. During Management's internal audit (by its CFO and CAO) of its subsidiary company PowerCold ComfortAir Solutions, Inc., prior to the year-end Independent Audit, Management discovered that PowerCold ComfortAir Solutions, Inc. was not following it's Corporate Controls and Procedures that were initially put in place. After Management discussed the matter with its independent Auditors, it was decided that the only remedy was to discontinue operations of the subsidiary company and sold the business to its employees.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Two of our subsidiaries, namely PowerCold Products, Inc. and PowerCold ComfortAir Solutions, Inc., f/k/a Ultimate Comfort Systems Inc., are named as Third-Party Defendants. The plaintiff is ERA Refrigeration Company, Inc., and the named Defendants are Nicholas Ladopoulos, et al. The third party plaintiffs are Yahara Crossing, LLC; Windsor Commons, LLC; Progressive Designs, LLC; All Star Properties and all of the third party defendants are Steve Clark, PowerCold Products, Inc., Total Comfort Solutions, Inc. and PowerCold ComfortAir Solutions, Inc. The lawsuit is based on a 1999 third-party design of two HVAC systems installed by a local third-party mechanical contractor. The Third Party Plaintiffs are asking for unspecified damages, costs and attorneys fees. The suit was filed on February 2, 2004. (Dane County, Wisconsin; Circuit Court Branch 9, Case Code No. 03-CV-3452). As of March 18, 2005 the defendant Nicholas Ladopoulos et al., and all four third party defendants have agreed to a settlement. PowerCold's portion of the settlement is $52,500, of which $26,250 has been paid by PowerCold Liability Insurance Carrier with a full release from future claims by all parties.

PowerCold ComfortAir Solutions, Inc., is also named as a Defendant in an action for recovery of $16,170 in fees, costs and attorneys fees, claimed by the Plaintiff Big Sky Plumbing & Heating, a mechanical contractor. Big Sky seeks such fees for the installation of a third party designed cooling system. PowerCold ComfortAir Solutions inherited this installation from a previous licensed technology application. We believe that Big Sky Plumbing & Heating submitted fraudulent invoices to PowerCold ComfortAir Solutions in excess of amounts authorized for services. The suit was filed on March 30, 2004. We have filed a counterclaim against Plaintiff for unspecified damages, costs, and attorneys fees. As of May 10, 2005 the discovery process continues. A jury trial date has been set for December 12, 2005 with a pretrial court ordered settlement conference, with a neutral third party settlement master, no later than May 13, 2005. (Montana First Judicial District Court, Lewis & Clark County; Cause No. ADV-2004-151). As of May 10, 2005 Big Sky Plumbing has not responded to discovery requests from PowerCold and the court order settlement conference will most probably be rescheduled to a future date.

PowerCold ComfortAir Solutions and PowerCold Products is also named as a Defendant in an action for recovery of $37,708.25 in a suit filed by Nickson's Machine Shop against Alturdyne Energy Systems, a California Company, for repair work for two engine drive chiller sold by Alturdyne to Grapetech Winery Solutions a division of Nickson's Machine Shop. PowerCold Products provided materials and packaging. The contract for the equipment purchase was between Alturdyne Energy Systems and Grapetech Winery Solutions. PowerCold is negotiating an equitable settlement for a release from this action by Nickson's Machine Shop. The suit was filed on January 25, 2005 in the Superior Court of California, County of Santa Barbara, Santa Maria, CA, Cook Division, Case No. 1171633. Service was acknowledged on February 7, 2005 for PowerCold ComfortAir Solutions and February 17, 2005 for PowerCold Products, Inc. Discussions between PowerCold Corporation and Grapetech Winery Solutions are active.

PowerCold ComfortAir Solutions, Inc, filed suit against Compass Group, Inc. (a General Contractor), Centennial Insurance Company, Florida Community Bank and Sea-Wall Motor Lodge, Inc in the Circuit Court, Seventh Judicial Circuit for St. Johns County, Florida – Case No.CA04-525 Division 55 on October 11, 2004; for damages for breach of bond contract including cost overruns for change orders and failure to pay for equipment and services provided in excess of $15,000 and attorney's fees. In addition PowerCold has placed a construction lien on the property seeking payment of $91,675.80 in unpaid and past due receivables on a contract of $285,579.00 after the first change order. Additional sums may become due in the future.

PowerCold ComfortAir Solutions, Inc., filed suit against Takagi USA, Inc. for damages related to defective products sold to PowerCold ComfortAir Solutions, Inc. in Circuit Court in Pinellas County, Florida – Case No. 04-7819-CI-13 on November 2, 2004 for damages in excess of $160,000 and attorney's fee. As of July 26, 2005 discovery between the parties is proceeding and mediation has been scheduled with the court on October 12, 2005.

PowerCold ComfortAir Solutions, Inc. has filed suit against Pat Cook Construction on April 29, 2005 in the County Court of the Twelfth Judicial Circuit in and for the County of Sarasota, Florida, Case No. 05-CC-2371NC for damages in the amount of $11,017.10, an unpaid balance due for work completed, plus interest and attorney's fees pending written confirmation from the project developer that Pat Cook Construction has been paid in full for the product provided by PowerCold ComfortAir Solutions, Inc.

PowerCold ComfortAir Solutions, Inc. had filed a claim with Mid-Continent Casualty Company against Bond No. BD-89172 for the Project: CO; Wingate Inn, Principal: TDC/Bass Joint Venture, LLC in the amount of $195,882.10 which was acknowledged on September 24, 2004. The claim relates to nonpayment for work completed. As of May 10, 2005 an offer to arbitrate was received and is being reviewed by outside counsel in Colorado.

PowerCold Corporation produced a demand letter on February 25, 2005, through its attorney, in the amount of $128,589.50 due by March 15, 2005, regarding claims against Industrias Polaris, S.A. for costs incurred for defective product, the return of advance payments for product never delivered and $2,000 for attorney fees in regard to the material breach of the manufacturing agreement between PowerCold and Polaris. Polaris has engaged counsel in Texas and initiated discussions. On May 6, 2005 a settlement offer was presented by counsel for Polaris. The offer was unacceptable and Polaris was advised to review and submit a better offer by May 16, 2005 or proceed to arbitration. Prior to July 26, 2005 Polaris had agreed to a settlement proposal but has failed to execute the agreement. We have instructed our attorney to proceed with binding arbitration. The matter has been submitted to the International Centre for Dispute Resolution. Responses from the parties are due at the ICDR on or before September 21, 2005.

It is our opinion that the three matters in which PowerCold is a defendant will not have a materially adverse effect on the Company as third party engineering designs are believed to be the cause of the problems and not our equipment. We are vigorously defending these matters; however, the company has reserved $64,000 for settlement in the unresolved actions where PowerCold is the defendant.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits

(a) Exhibits

No.	Description
Exhibit 31.1	Certification of Francis L. Simola, President and Chief Executive Officer pursuant to 18 U.S.C. 1350.
Exhibit 31.2	Certification of Grayling Hofer, Chief Accounting Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350.
Exhibit 32.1	Certification of Francis L. Simola, President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Grayling Hofer, Chief Financial Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POWERCOLD CORPORATION

/S/ Francis L. Simola
Francis L. Simola
President and CEO

Date: March 31, 2006

Exhibit 31.1

CERTIFICATION

I, Francis L. Simola, certify that:

(1) I have reviewed this Form 10-Q of PowerCold Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PowerCold Corporation as of, and for, the periods presented in this report;

(4) PowerCold Corporation's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PowerCold Corporation and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PowerCold Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of PowerCold Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in PowerCold Corporation's internal control over financial reporting that occurred during PowerCold Corporation's most recent fiscal quarter (PowerCold Corporation's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PowerCold Corporation's internal control over financial reporting; and

(5) PowerCold Corporation's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PowerCold Corporation's auditors and the audit committee of PowerCold Corporation's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PowerCold Corporation's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PowerCold Corporation's internal control over financial reporting.

Date: Date: March 31, 2006

/s/ Francis L. Simola
Francis L. Simola
Chairman, President and CEO

Exhibit 31.2

CERTIFICATION

I, Grayling Hofer, certify that:

(1) I have reviewed this Form 10-Q of PowerCold Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PowerCold Corporation as of, and for, the periods presented in this report;

(4) PowerCold Corporation's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PowerCold Corporation and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PowerCold Corporation, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of PowerCold Corporation's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in PowerCold Corporation's internal control over financial reporting that occurred during PowerCold Corporation's most recent fiscal quarter (PowerCold Corporation's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PowerCold Corporation's internal control over financial reporting; and

(5) PowerCold Corporation's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PowerCold Corporation's auditors and the audit committee of PowerCold Corporation's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PowerCold Corporation's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PowerCold Corporation's internal control over financial reporting.

Date: Date: March 31, 2006

/s/ Grayling Hofer
Grayling Hofer
Chief Accounting Officer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO THE SARBANES-OXLEY ACT
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Francis L. Simola, Chairman, President and CEO of PowerCold Corporation (the "Company") do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. This Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005 as filed with the Securities and Exchange Commission (the "report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: Date: March 31, 2006

/s/ Francis L. Simola
Francis L. Simola
Chairman, President and CEO

Exhibit 32.2

CERTIFICATION PURSUANT TO THE SARBANES-OXLEY ACT
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Grayling Hofer, Chief Accounting Officer and Principal Financial Officer of PowerCold Corporation (the "Company") do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. This Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005 as filed with the Securities and Exchange Commission (the "report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2006

/s/ Grayling Hofer
Grayling Hofer
Chief Accounting Officer
Principal Financial Officer